

2003 SPECIAL SESSION MISSOURI BUDGET AND LEGISLATIVE AGENDA TABLE OF CONTENTS

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2003 SPECIAL SESSION MISSOURI BUDGET AND LEGISLATIVE AGENDA

Leading Missouri Through Tough Economic Times

“Like the people of Missouri, state government must live within its means. Missouri has been a leader in taking the fiscally responsible actions necessary to keep our state’s budget balanced during these tough times.”

Governor Bob Holden

Governor Holden continues to lead the state of Missouri through tough economic times. When Governor Holden took office two years ago, the state was beginning the largest fiscal challenge in over half a century. These challenges continue in Fiscal Year 2004, requiring budget cuts not seen in decades.

The fiscal crisis is not unique to Missouri. Nearly every state across the country is facing a fiscal crisis. The National Governors' Association said that states are facing "the most dire fiscal situation since World War II." The slumping economy, federal tax cuts that reduce state revenues, and rapidly increasing health care costs have required decisive action each year to balance the budget. While the federal government is allowed to run a deficit, Missouri state government must balance its budget each year.

The budget passed by the legislature makes deep cuts totaling \$354.3 million to education and services for our most vulnerable citizens. This is on top of over \$1 billion in cuts already made to the budget. However, in spite of these cuts, the budget passed by the General Assembly is still out of balance. Missouri needs a long-term solution to fix the imbalance between declining revenues and providing essential services to its citizens.

The state of Missouri has reached the point where it will fail its basic obligations to citizens without an infusion of new revenue. The targeted revenue package proposed by Governor Holden does not include a general tax increase on Missourians. The Governor's plan taxes voluntary behavior such as gambling and cigarette usage, places a surcharge on wealthy Missourians, and reduces federal control of the state's budget. Governor Holden once again calls on the General Assembly to allow the voters of Missouri to decide between cuts to education and vital human services or targeted revenue increases.

ENSURING FISCAL RESPONSIBILITY

The Governor is committed to leading the state and its citizens through these tough economic times. Over the past two years, the Governor has taken the following steps to address the state's declining revenue situation to ensure the state's budget remains balanced:

- Cut over \$1 billion from state department budgets – the most in Missouri history.
- Withheld over \$300 million from state department budgets in the current fiscal year.
- Reluctantly accepted \$74.2 million in cuts to state department budgets beyond what he initially recommended for Fiscal Year 2004.

- Held budget summits with citizens, legislative leaders, and business leaders across the state to seek input and cooperation in increasing government efficiency and making sure working families and small businesses do not carry an unfair share of state taxes.
- Conducted a review of corporate tax loopholes to determine which are taking much needed revenue away from the state, without providing a benefit to the economy.

The Fiscal Year 2004 Budget Challenges

The Missouri economy generally mirrors the national economy. The United States economy officially went into recession in March 2001. During the summer of 2001, all major national forecasters envisioned an economic recovery during 2002. However, the terrorist attacks of September 11, 2001, and the war have delayed the projected economic recovery. The Fiscal Year 2004 budget presents the most difficult challenge to face the Governor and the General Assembly since the Depression.

The increasingly tight budget is due to a combination of factors, including:

- The overall weak performance of the stock market.
- Declining rates of sales, corporate, and individual tax revenues coming into the state.
- Substantial increases in medical costs in the Medicaid Program and for state employees.
- Growth in the prison population.
- An eroded tax base due to the negative impacts of federal tax reductions, corporate tax loopholes, and the escalating costs of state tax credits passed in previous years.
- The use of one-time revenues to support ongoing programs.

Missouri - A Low-Tax State

In addition to being ranked one of the top managed states, Missouri continues to be a low-tax state. It is a “good deal” to live in Missouri and taxpayers get a “good deal” from their state government. Among all states, Missouri ranks 44th in state government expenditures per capita. For each dollar an average U.S. citizen pays in state taxes, the average Missouri citizen pays only 80 cents. Missouri state taxes are 20 percent below the U.S. average and among the lowest in the region. Missouri corporations pay less taxes per capita than any other state with a corporate tax. By any objective measure, Missouri is a low-tax state as the following table demonstrates.

**Recent Rankings on Missouri Revenues and Expenditures
(as compared with all 50 states)**

| <u>Indicator</u> | <u>Source</u> | <u>Date Issued</u> | <u>Rank</u> |
|---|--------------------|------------------------|-------------|
| State Revenues | | | |
| State Government Own Source Revenue (Per Capita) | Morgan Quitno | 2003 | 45 |
| Total Revenue - State and Local (% of Personal Income) | Governing Magazine | 2003 | 45 |
| Corporate Income Tax - State (Per Capita) | U.S. Census Bureau | 2003 | 46* |
| Total Taxes (Per Capita) | U.S. Census Bureau | 2003 | 44 |
| State Expenditures | | | |
| State Government Expenditures (Per Capita) | Morgan Quitno | 2003 | 44 |
| Total Spending - State and Local (% of Personal Income) | Governing Magazine | 2002 | 44 |
| Total Spending - State and Local (Per Capita) | Governing Magazine | 2002 | 47 |
| *Four states do not levy a corporate income tax. | | | |

Reduced Spending on Tax Loopholes

Governor Holden has ordered a thorough review of tax expenditures to identify problems with Missouri's existing tax code. Corporate income taxes have dropped from 9.0 percent of the state's general revenue in 1995 to only 4.8 percent last year. Aggressive tax consultants continue to find loopholes in our state laws. Though legal, some tax incentives are no longer achieving their intended purpose. In the fall of 2002, the Governor convened state leaders and held budget summits across the state to receive input from citizens and business leaders to address two important issues – government efficiency and the concern of working families and small businesses that carry more than their fair share of the tax burden. In February 2003, a Governing Magazine survey entitled "The Way We Tax" ranked Missouri high in tax management, but low in the areas of adequacy of revenues and fairness to taxpayers.

2003 Special Session Initiative More Efficient Collections and Tax Expenditures

In order to level the playing field for Missouri companies, small businesses, and individuals, the Governor again calls on the General Assembly to reduce spending on the following tax loopholes.

- Geoffrey Loophole - \$15 million. Companies like Toys R Us and Home Depot use accounting loopholes to avoid paying Missouri corporate income tax. They use the "Geoffrey Loophole" named for Geoffrey, the Toys R Us giraffe, to set up a dummy corporation in another state to avoid paying Missouri taxes. Illinois and 25 other states have provisions that close this loophole.
- Disallow Non-Missouri Source Income - \$31 million. Many businesses avoid paying taxes by placing their assets in out-of-state banks, taking business away from Missouri institutions. Missouri should prohibit corporations from avoiding state tax payment on income from out-of-state investments.
- Yacht Loophole- \$3.2 million. Buyers of luxury boats pay a reduced watercraft tax instead of Missouri sales tax.
- Refunds to Purchasers - \$7.5 million. Currently, a business that applies for and receives a sales tax refund for taxes they have inappropriately collected from customers is not required to even attempt to find and return the overpayment to the purchaser.
- Common Carriers - \$7.4 million. Years ago the legislature enacted sales tax exemptions for purchase of trucks, parts, and repairs for "common carriers." When these exemptions were passed, every common carrier had to register with the federal Interstate Commerce Commission and only true common carriers, i.e., trucking companies for hire by the general public, could qualify. Now anyone can register as a common carrier by paying a relatively modest fee and such registration is no longer required in most cases.
- Eliminate Timely Filing Discount for Withholding Tax - \$13.8 million. Missouri businesses receive a discount for sending the income withholding taxes they collect from employees to the state. The state of Missouri is the only state that provides this discount.
- Railroad Retirement Double Dip – \$2 million. Currently, a taxpayer receiving railroad retirement benefits is not taxed on those benefits at the state level and also may deduct up to \$6,000 from their Missouri taxable income. This proposal will eliminate the double dipping of tax benefits.
- Electronic Filing - \$.8 million. Mandating electronic filing of monthly and quarter-monthly withholding returns, corporate estimated tax payments, and quarter-monthly sales tax payments will ensure quicker deposit of funds into the state treasury.
- Professional Licensing - \$10.4 million. Individuals should be required to receive a tax clearance that ensures their state-owed taxes are paid before they do business with the state or obtain or renew a professional license.
- Corporate Tax Dissolution - \$11 million. Clarify the Secretary of State's authority to dissolve a corporation for not filing a franchise or income tax return.

Generating Additional State Revenue

The state is well over \$1 billion below the constitutional revenue and spending limit – the most since it was established. As measured by the state's revenue limit, Missourians are now sending a smaller percentage of their personal income to state government than at any time since enactment of the limit in 1980.

The point has been reached that without a significant infusion of new revenue the state will fail in its mandated obligations to our citizens. The following is the fiscal reality that Missouri and many other states face:

- The state will be unable to adequately fund the Foundation Formula, which provides funding to local school districts for K-12 education.
- Major budget cuts will be required in higher education, substantially increasing tuition for students and their families.
- Thousands of the elderly, the poor, and the disabled will have their medical and mental health services eliminated.
- Access to health care for low-income Missourians will be significantly reduced or eliminated.

2003 Special Session Initiative Additional Revenue Generation

The Governor recommends a revenue package to address current and ongoing revenue shortfalls. The revenue package proposed by the Governor does not include a general tax increase on Missourians. The Missouri Constitution requires portions of this package be sent to a vote of the people. Therefore, it is assumed only nine months of new revenue will be available for Fiscal Year 2004. The Governor recommends the following:

Raising Gaming Revenues for Education

- Establish a flat admission fee to gaming boats of \$6 per day. The current fee is \$2 per two-hour cruise - \$34.4 million.
- Remove the current provision that limits to \$500 the amount riverboat gaming patrons may lose during each two-hour cruise. Missouri is the only state that employs a loss limit - \$46.4 million.
- Increase the adjusted gross receipts tax on riverboat gaming from 20 to 22 percent. This tax is paid by riverboat operators on the amount lost by patrons - \$24.5 million.

Increasing the Cigarette Tax for Health Care

Tobacco use in Missouri is one of the highest in the nation; 27 percent of adults smoke. Even more alarming are studies that show one-third of Missouri teenagers are smoking. As a result, Missouri ranks well above average in smoking-related diseases such as heart disease, cancer, and emphysema. Disease due to smoking increases costs for all health care plans, including Medicaid. An increase of 55 cents per package of cigarettes and an increase to 30 percent of average wholesale price on other tobacco products will generate \$227.9 million to pay the rising costs of health care. In future budget years, Governor Holden supports dedicating a portion of the revenue generated by the increased tax on cigarettes to anti-smoking efforts and life sciences research.

Raising Other Revenue to Meet the Shortfall

- Place a surcharge of five percent on the individual income tax on taxpayers with taxable incomes greater than \$200,000 - \$11.9 million.
- Allow the state's elected officials to determine the level of Missouri taxes, not the federal government. Federal tax code changes will have to be statutorily confirmed by the General Assembly and signed by the Governor before they will be allowed to affect, either increase or decrease, Missouri taxes. The proposal will decouple Missouri from the federal tax system.

Federal Fiscal Relief

Congress and the President have approved \$20 billion in state fiscal relief as part of the Jobs and Growth Tax Relief Reconciliation Act of 2003. Missouri's share of the fiscal relief is estimated at \$376 million over two fiscal years. However, the Act includes federal tax cuts that will also reduce revenues for Missouri by \$100 million. These funds will help close the budget gap until the voters are given an opportunity to choose between cuts to education and human services or targeted revenue increases. While the fiscal relief is a one-time infusion of money to the state, the tax cuts will be an ongoing reduction in revenues unless Missouri's tax code is decoupled from the federal tax system.

2003 SPECIAL SESSION MISSOURI BUDGET AND LEGISLATIVE AGENDA

Education

“I believe Missourians understand the value of a good education and that an investment in education is an investment in a better future for our state and for our children.”

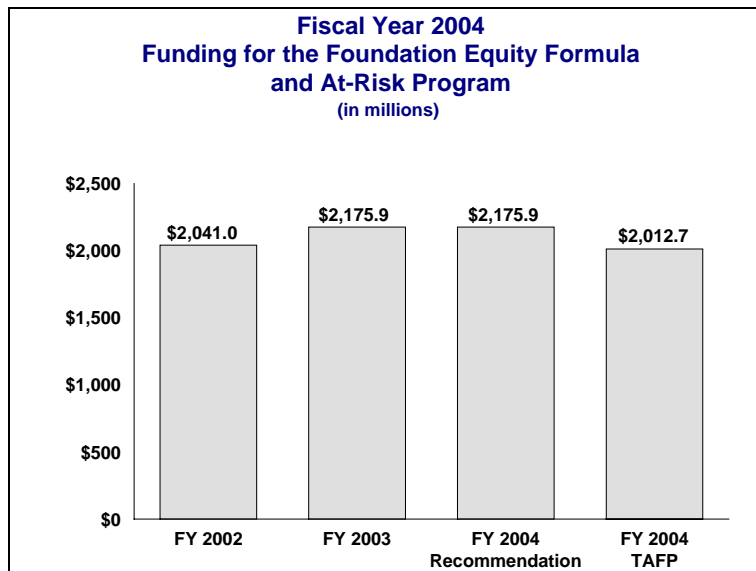
Governor Bob Holden

The Holden administration's top priority will always be education. Our children – and our ability to compete in the new economy of the 21st Century – depend on the state's investment in public education. Governor Holden has renewed his commitment to making education the number one priority of his administration by protecting funding for local schools and higher education institutions from additional reductions in Fiscal Year 2004.

FUNDING PUBLIC ELEMENTARY AND SECONDARY EDUCATION

In the Fiscal Year 2004 budget, Governor Holden's number one priority is to balance the budget without cutting funding for Missouri's 524 local public school districts. With budget reductions being taken across state government, the Governor has fought to protect core funding for K-12 education. Continued funding of the Foundation Formula will assist school districts in providing vital services and essential tools students need to succeed in school. The Foundation Formula provides funds to:

- Improve student academic achievement.
- Lower class sizes.
- Provide professional development opportunities to teachers and school administrators.
- Provide resources for school districts to improve curriculum.



Devastating Effects of the Budget Passed by the General Assembly

Maintaining funding in these difficult economic times will help public school districts provide vital services. The Governor recommended \$2.2 billion for the state's Foundation Formula for public education. The General Assembly cut \$224 million from the Department of Elementary and Secondary Education. The budget passed by the legislature will keep our children from reaching their full potential. The General Assembly's budget includes:

- \$189 million in cuts to the School Foundation Program, which is the primary method of state funding for public schools. It has been estimated these cuts will result in the elimination of over 3,400 positions in our schools, including over 2,000 teachers and over 1,400 non-certified school employees. This will lead to larger class sizes and less attention paid to individual students.
- An \$8.8 million cut to the School Technology Grant Program. This eliminates state funding for schools to buy new computers and software for Missouri classrooms. Students will fall further behind other states in preparing children for the knowledge-based economy of the 21st Century.
- A \$5.9 million (32 percent) reduction in Missouri's nationally recognized A+ Schools Program. This will result in fewer students being able to make the dream of higher education a reality.
- A \$4.4 million (46 percent) cut to the Missouri Assessment Program (MAP), which provides accountability in our schools. The state will no longer administer the Science, Social Studies, and Health MAP exams. These assessments add valuable accountability to our public schools and allow local school districts to determine how well students are performing in these important areas. Without these assessments, the state could be out of compliance with the federal No Child Left Behind Act.
- A \$2 million (28 percent) reduction to the Safe Schools Program. The number of school districts receiving grants will be cut. Without this funding, school districts may no longer be able to provide alternative classrooms for violent or disruptive students.
- A \$742,529 reduction for administration of public education programs. This will decrease the assistance available to school districts in the areas of school finance, school payments, teacher certifications, and employee background checks.

- A \$532,477 cut to the First Steps Program, which helps special needs infants and toddlers reduce or eliminate the need for special education and succeed in regular classrooms. These cuts could jeopardize federal funding for this program, since federal regulations require that eligible children be served if their families choose to participate. Missouri already has the lowest eligibility criteria in the nation for this program. These cuts will result in disabled children not receiving services, reducing their chances for future success in the classroom.
- An \$118,421 (15 percent) reduction for the Scholars and Fine Arts academies. Eighty of the state's most talented students will miss out on the chance to enhance their abilities through these specialized learning opportunities.

Governor Holden's Call

The budget passed by the General Assembly is morally and economically wrong. Investments in the education of our children are an investment in our economic future. By vetoing the General Assembly's budget for the Department of Elementary and Secondary Education, Governor Holden continues his commitment to make every effort to protect public school funding. In order to provide essential tools students need to succeed in school, the Governor proposes additional resources generated by gaming proceeds and other measures. Governor Holden calls on the General Assembly to give the voters a choice on implementing common sense ideas to fund education.

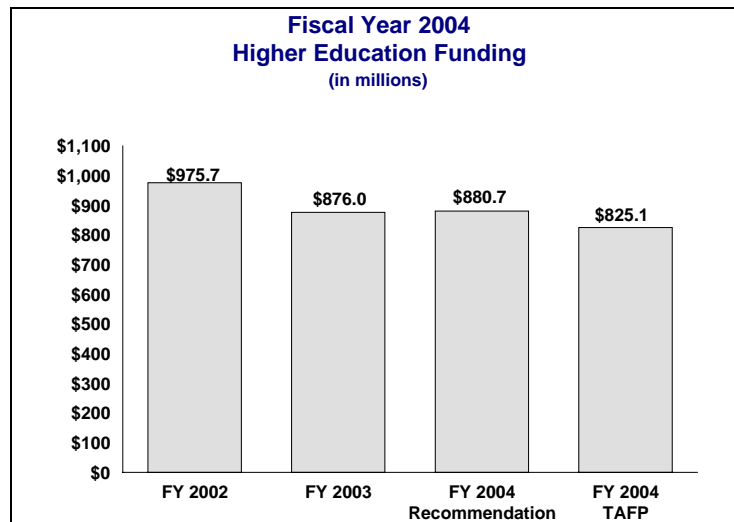
2003 Special Session Initiative Maintaining Funding for the Foundation Formula

Additional revenues are necessary to continue support for K-12 education at the Fiscal Year 2003 appropriated level. The Governor recommends continuing the state's successful use of gaming proceeds and other measures to raise funds for public education by:

- Increasing the admission fees to gaming boats to \$6 per day. The current admission fee is \$2 per cruise.
- Removing the current provision that limits to \$500 the amount riverboat gaming patrons may lose during each two-hour cruise. Missouri is the only state that has a loss limit.
- Increasing the adjusted gross receipts tax on riverboat gaming from 20 to 22 percent. This tax is paid by riverboat operators on the amount lost by patrons.

SUPPORTING HIGHER EDUCATION

In the new economy, the quality of a state's workforce has become an important element in economic development. The Governor understands that economic growth in the 21st Century is based on knowledge, innovation, and the use of technology. Missouri's higher education system plays a critical role in ensuring Missouri stays at the forefront of these innovations and technological advances and in supplying the skilled, knowledgeable workers necessary to stimulate continued economic growth in the state. Missouri businesses realize that to compete they need a highly skilled workforce and are demanding more highly educated workers. Governor Holden understands this, and, despite the current budget problems, remains committed to higher education. Even in the face of significant revenue shortfalls, the Governor made no funding reductions to higher education institutions in his recommended Fiscal Year 2004 budget.



Devastating Effects of the Budget Passed by the General Assembly

Maintaining funding in these difficult economic times will help the state continue to provide higher education opportunities to Missouri students. The Governor recommended \$881 million in general revenue funding for the Department of Higher Education – funds that support the state’s colleges and universities and provide much needed grant and scholarship programs. The General Assembly cut \$56 million from the Governor’s recommended funding for higher education. The budget passed by the legislature will harm Missouri low- and middle-income families and prevent many students from going to college. The higher education budget passed by the General Assembly:

- Cuts \$53 million in general revenue funding for Missouri’s two- and four-year colleges and universities. An estimated 300 faculty and staff will be laid off, and classes and programs at institutions will be eliminated. In addition, accreditation for some schools and programs will be placed in jeopardy.
- Will result in dramatically higher tuition and fees at colleges and universities throughout the state. This, in turn, places a tax increase on low- and middle-class Missouri families. The University of Missouri Board of Curators recently approved a 19.8 percent tuition increase to compensate for the General Assembly’s cuts.
- Results in an additional loss of up to \$150 million to the local economies of the communities where Missouri’s colleges and universities are located.
- Will cause some schools to declare financial emergencies and deplete their reserves. This means schools will have no safety net to address unforeseen expenditures.
- Cuts \$2.6 million from grant and scholarship programs. Awards to all 8,300 Missouri Bright Flight scholarship recipients will be reduced by 15 percent. Another 141 students will no longer receive state supported grants and scholarships through the Missouri College Guarantee, Advantage Missouri, Marguerite Ross Barnett, Public Service Survivor, and Vietnam Veterans Survivor programs. Reductions to Missouri scholarship programs may prohibit some students from completing a college education and make it difficult for the state to keep its brightest students.

- Cuts administration of higher education programs by \$98,972. This reduction will eliminate research related to K-16 education, eliminate proprietary school certification for some schools, and delay processing of student financial aid. Administrative cuts total 40 percent since Fiscal Year 2001.

Governor Holden's Call

The budget passed by the General Assembly is morally and economically wrong. Investments in higher education are in the best interest of Missouri students and the state economy. By vetoing the General Assembly's budget for the Department of Higher Education, Governor Holden continues his commitment to protect higher education funding. In order to maintain access to higher education for Missouri students, the Governor proposes additional revenues generated primarily by closing tax loopholes (as outlined in the first chapter of this document). Governor Holden calls on the General Assembly to give the voters a choice on implementing common sense ideas to keep higher education affordable and accessible to all Missouri families.

2003 SPECIAL SESSION MISSOURI BUDGET AND LEGISLATIVE AGENDA

Human Services

“My goal continues to be to protect the most vulnerable Missourians and provide a continued investment that ensures a safe and healthy Missouri.”

Governor Bob Holden

Governor Holden is committed to improving the health and protection of Missourians. Over the past two years, the Governor has repeatedly voiced his dedication to protect individuals who rely on vital government services. The Governor's Fiscal Year 2004 recommended budget provided the means to protect Missouri's most vulnerable citizens.

PROTECTING MISSOURI'S MOST VULNERABLE CITIZENS

In the Fiscal Year 2004 budget, Governor Holden restated his commitment to maintain basic services to Missouri's elderly, children, and disabled citizens. Funding for programs that provide these services are found in the budgets of the state departments of Social Services, Mental Health, and Health and Senior Services. The General Assembly made devastating cuts to the appropriations for these three departments.

Funding for the Department of Social Services

The Department of Social Services funds critical programs that provide medical care for children, their parents, the disabled, and the elderly; and services to the disabled, the working poor, children living in poverty, and children who have been abused or neglected. The department provides a safety net for Missouri's most vulnerable populations.

Devastating Effects of the Budget Passed by the General Assembly

The department has sustained core cuts of \$391.9 million over the past two years. The Governor recommended \$1.2 billion general revenue for the department in Fiscal Year 2004. In its appropriations, the General Assembly cut \$63.5 million general revenue below the Governor's recommendations for the Department of Social Services. Additional cuts are inconsistent with Missouri's priorities. The state is legally required to cover \$92 million of these cuts even if the money is not appropriated in the budget. These reductions will eliminate critical services, are shortsighted, and will cost the state millions in future budgets. Cuts to the Department of Social Services budget include:

- \$14.8 million to the Medicaid Pharmacy Program. \$11.9 million will result in the need for supplemental, mid-year funding to meet caseload demands. \$2.9 million of the cut is to the program's management and will jeopardize current cost containment initiatives recommended in the Governor's Fiscal Year 2004 budget. Based on the average savings per dollar spent on administration of this program, this could mean a loss of about \$150 million in total savings to the pharmacy program that provides prescription drug coverage to the elderly, the disabled, and low-income families.

- \$10 million to the Children's Health Insurance Program by requiring co-payments. This reduction is likely to result in increased costs to participants and lower health coverage for Missouri children. In addition, state law places limits on co-payments for this program that jeopardize the realization of any savings. Due to non-passage of legislation to allow for this cut, a mid-year increase in funding will be needed for Fiscal Year 2004.
- \$5.8 million in cash assistance, including \$2.2 million for assistance to non-citizens. This would eliminate benefits for approximately 350 families who cannot qualify for Temporary Assistance (TANF) funding for five years after legal entrance into the United States. This negatively impacts a particularly vulnerable population, due to language and cultural barriers, when they lose the family's wage earner.
- \$5 million to the Medicaid program, resulting in a loss of coverage for 13,000 low-income working parents. Eligibility is being reduced from an already low 77 percent to 69 percent of the Federal Poverty Level. This reduction will increase costly emergency room visits and lead to unhealthy parents unable to care for their children. These parents have maximum household incomes as low as \$8,360 per year. Providing health care coverage has helped move many Missourians from welfare to work. When you take away their health care, they are likely to move from work to welfare.
- \$4.9 million to the Grandparents as Foster Parents Program, lowering the monthly reimbursement rate from 75 to 25 percent of the traditional foster parent rate. This reduces the support for abused or neglected children from \$202 to \$68 per month, placing an additional burden on grandparents with fixed incomes who have stepped in to raise their grandchildren. As many as 2,500 children annually served by this program will be at risk of being raised by someone outside of their family because of the financial burden it will place on many grandparents.
- \$3.7 million to Community Partnerships will further diminish the role of the community in providing services to low-income families and helping welfare recipients achieve self-sufficiency. The remaining funding is just 21 percent of the Governor's recommended level. Community Partnerships have been productive in leveraging local and federal funds to address the social problems of Missouri communities. The partnerships are credited with the state receiving \$10.8 million in federal TANF High Performance Bonus dollars earlier this year.
- \$1.6 million (29 percent) to the Division of Youth Services' Juvenile Court Diversion Program. This program works with children at the community level to help divert them from commitment to the Division of Youth Services. The cut means 2,000 at-risk youth and 23,100 kids will not receive early intervention services aimed at turning kids away from a life of crime.
- \$750,000 in Payments to Counties for youth in detention centers. The current rate of payment for each youth in a county center will be cut from \$17 to \$14 per day.
- \$648,792 to eliminate the CHOICES program, an independent living program that provides supportive living arrangements for foster care youth preparing to age out of the system. Over 1,000 youth served by the program will be negatively impacted.
- \$545,000 reduction in Domestic Violence funding. These dollars maintain cooperative efforts in communities offering education and support to victims of domestic violence. This is counter to the Governor's efforts to decrease violence in the home.

Funding for the Department of Mental Health

The Department of Mental Health funds programs that provide services for the mentally ill, the developmentally disabled, and those addicted to drugs or alcohol. Without the department's services many clients could not live safely or independently.

Devastating Effects of the Budget Passed by the General Assembly

The department has sustained core cuts of \$47.6 million general revenue over the past two years. The Governor recommended \$529 million general revenue for the department in Fiscal Year 2004. In its appropriations, the General Assembly cut \$20 million general revenue from the Department of Mental Health's budget. These cuts are inconsistent with Missouri's priorities. These reductions will threaten the ability of thousands of Missourians to remain independent or to live with their families. Cuts to the Department of Mental Health budget include:

- \$4.7 million general revenue to the Division of Comprehensive Psychiatric Services. The state will also lose \$4.7 million in federal funds. This cut will mean 4,767 mentally ill adults and 901 emotionally disordered children will lose their treatment and residential services. With this cut, there is an increased likelihood for clients to commit harm to themselves or others due to lack of community support, intervention alternatives, and community bed space. Additionally, more adult mentally ill clients will become homeless and more children will be handed over to the juvenile courts because their parents do not have the supports necessary to care for them at home.
- \$4.7 million general revenue to the Division of Mental Retardation and Developmental Disabilities. The division serves citizens with developmental disabilities, Down's Syndrome, autism, and brain injuries. This cut will mean 5,800 non-Medicaid eligible, disabled Missourians will have their services reduced or eliminated. Community services and supports such as respite care, day habilitation, personal care attendants, therapies, and specialized services will be eliminated causing many families to no longer be able to keep their family member with a developmental disability at home. The costs of long-term institutionalization of these clients far exceed the costs to support them in their communities.
- \$4.5 million general revenue to the Division of Alcohol and Drug Abuse. The state will also lose \$4.5 million in federal funds. These reductions will eliminate or reduce substance abuse treatment to 7,200 clients, resulting in increased hospital admissions, increased numbers of drug-addicted infants, and poorer treatment outcomes. In addition, the Community 2000 Program will be cut, eliminating prevention services for thousands of Missouri youth.

Funding for the Department of Health and Senior Services

The Department of Health and Senior Services provides funding for programs that protect and promote the health of Missourians. The department is engaged in activities that promote a healthy lifestyle, prevent and control communicable diseases, reduce the burden of chronic diseases, safeguard the public, and ensure a comprehensive system of care is available to Missouri's seniors.

Devastating Effects of the Budget Passed by the General Assembly

The department has sustained core cuts of \$18.7 million over the past two years. The Governor recommended \$88.3 million general revenue for the department in Fiscal Year 2004. In its appropriations, the General Assembly cut \$6.7 million general revenue from the Department of Health and Senior Services' budget. Additional cuts are inconsistent with Missouri's priorities. These reductions threaten the public health of Missourians across the state and access to health care for thousands of Missouri women. Cuts to the Department of Health and Senior Services budget include:

- \$5.1 million to women's health services. This cut eliminates funding for primary health care services provided to over 30,000 low-income women and jeopardizes the existence of 34 health care clinics around the state. In addition, this reduction may cause 60,000 women to lose access to health care.
- \$1 million to the Primary Care Resource Initiative for Missouri (PRIMO). This program helps locate doctors, nurses, dentists, and other health care professionals in medically underserved areas of the state by providing educational loans and start-up support for medical and dental practices following graduation.
- \$700,000 to eliminate the Alternatives to Abortion Program, which provided services to 648 women last fiscal year. The program provides counseling and support services to assist women in carrying their unborn children to term, caring for their dependent children, or placing their child for adoption.
- \$172,780 for non-emergency transportation services, such as OATS. Transportation funding will be eliminated from grants provided to the Area Agencies on Aging around the state, making it difficult for many seniors to get to the doctor, grocery store, or pharmacy.
- \$541,595 for critical public health services provided by county health departments around the state. This will reduce or delay health related services such as disease prevention and detection, and health inspections provided at the county level, risking the health and welfare of Missouri citizens.

Governor Holden's Call

The appropriation bills passed by the General Assembly for the departments of Social Services, Mental Health, and Health and Senior Services are morally and economically wrong. Short-term investments in health care and assistance to vulnerable populations save millions of dollars over the long term. By vetoing these appropriations Governor Holden continues his dedication to protect Missouri citizens in need of critical state services. Governor Holden calls on the General Assembly to give the voters a choice on continuing basic services provided to Missouri's elderly, children, and disabled citizens.